

Service Date: July 22, 1992

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application)	UTILITY DIVISION
Of The Town of Fairview To Increase)	DOCKET NO. 92.3.14
Rates And Charges For Sewer Service)	ORDER NO. 5637
In Its Fairview, Montana Service Area.)	

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ORDER GRANTING SEWER RATE INCREASE APPLICATION

APPEARANCES

FOR THE APPLICANT:

Bryan Cummins, Mayor, Town of Fairview,
P.O. Box 426, Fairview, Montana 59221.

FOR THE INTERVENORS:

Mary Wright, Staff Attorney, Montana Consumer Counsel,
34 West Sixth Avenue, Helena, Montana 59620.

FOR THE COMMISSION:

Denise Peterson, Staff Attorney, 1701 Prospect Avenue,
Helena, Montana 59620-2601.

G. Joel Tierney, Utilities Engineer, 1701 Prospect Avenue,
Helena, Montana 59620-2601.

BEFORE:

Danny Oberg, Chairman and Hearing Examiner.

BACKGROUND

1. On March 26, 1992, the Town of Fairview (Applicant or Town) applied to the Commission for authority to increase rates and charges for sewer service to its customers in its Fairview, Montana service area. The Applicant requested an average increase of approximately 69.57%, which constitutes an increase of approximately \$24,000 in annual revenues.

2. On June 22, 1992, following issuance of proper notice a hearing was held in the Fairview High School. The purpose of the

public hearing was to consider the merits of the Applicant's proposed sewer rate adjustment. At the close of the public hearing, all parties stipulated to the issuance of a final order in this docket.

FURTHER FINDINGS OF FACT

3. At the public hearing the Applicant presented the testimony and exhibits of Jean Lanouette, Town Clerk. Ms. Lanouette testified to the need for additional revenues to defray increased costs of operation and maintenance and to build a reserve fund for future replacement.

4. During the public hearing, two members of the public presented testimony. Ruth Mitchell stated that the Town should cut back on payroll expenses rather than increasing the sewer rates. Clarence Homstad, former mayor, opposed the sewer rate increase because, in his opinion, he felt the costs should be cut instead of raising rates and that there was loading of administrative funds.

5. The estimated annual cost of operating the Town's sewer utility is \$47,850. Projections show that with the current number of hookups, annual sewer revenues should equal \$56,500 with the rate increase. The estimated sewer fund surplus of \$8,650 would be placed in the Town's sewer fund reserves to be used for future replacement and emergency repairs.

6. The Commission finds that the increase of 69.57% is just and reasonable, and is necessary to recover the increased costs of operation and maintenance and also to generate a reasonable reserve fund. The Commission recognizes that the community and its sewer funds have been severely impacted by a population decline following the decline of the oil boom as well as property tax freezes.

7. The Commission also finds that the Applicant's bookkeeping procedures are not adequate. The present method is unclear on how allocation of costs between the sewer, water, and garbage is done. A more detailed and "true" method must be adopted and followed. The Commission has granted sufficient revenues in this application to enable the community to establish

a more precise accounting system which better accounts for both employee time costs and material purchases. Enterprise funds such as sewer and water should generate sufficient revenues to only cover costs of providing service. Roads and garbage funds must be met by the general taxing authority of the community. In this case the Commission has given the benefit of the doubt to the Town but serves notice that in future proceedings or audits the Applicant must comply with more acceptable accounting practices. Therefore, as it deems fit, the Commission may audit the Town's sewer utility on or after one (1) year from the service date of this order to insure that proper accounting and bookkeeping procedures are being followed.

RATE DESIGN

8. The Town's proposed rate design was not challenged by any party in this proceeding. The Commission's examination of the rate structure indicates that the Applicant has attempted to equitably distribute the cost of providing service and it is, therefore, accepted.

CONCLUSIONS OF LAW

1. The Applicant, the Town of Fairview, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's rates. Title 69, Chapter 7, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The rates and rate structure approved in this order are just and reasonable. Sections 69-3-201, and 69-3-330, MCA.

ORDER

1. The rates as filed by the Town with its application are authorized.

2. The rates shall be effective for service rendered on and

after July 22, 1992.

3. The Town shall establish an acceptable bookkeeping procedure to properly monitor the sewer revenues and expenses. On or after one (1) year from the service date of this order, this Commission will take appropriate action to audit the books and records, as it deems fit, to determine whether the Town is using correct accounting procedures.

DONE IN OPEN SESSION at Helena, Montana on this 22nd day of July, 1992, by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DANNY OBERG, Chairman

WALLACE W. "WALLY" MERCER, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

TED C. MACY, Commissioner